

Table of contents

Introduction	iii
Sections	
1 Medicare beneficiary demographics	1
1-1 Aged beneficiaries account for the greatest share of the Medicare population and program spending, 2002	3
1-2 Medicare spending rises as beneficiaries age, 2002	4
1-3 Beneficiaries who report being in poor health account for a disproportionate share of Medicare spending, 2002	5
1-4 Enrollment in the Medicare program is projected to grow fastest in the next 30 years	6
1-5 Characteristics of the Medicare population, 2002	7
1-6 Characteristics of the Medicare population, by rural and urban residence, 2002	8
1-7 Arthritis and hypertension are the most common diseases reported by Medicare beneficiaries, 2002	9
Web links	10
2 Dual eligible beneficiaries	11
2-1 Dual eligible beneficiaries account for a disproportionate share of Medicare spending, 2002	13
2-2 Dual eligibles are more likely than nondual eligibles to be disabled or over 85 years old, 2002	14
2-3 Dual eligibles are more likely than nondual eligibles to report poorer health status, 2002	15
2-4 Demographic differences between dual eligibles and nondual eligibles, 2002	16
2-5 Differences in spending and service use between dual eligibles and nondual eligibles, 2002	17
2-6 Both Medicare and total spending are concentrated among dual eligible beneficiaries, 2002	18
2-7 Dual eligible beneficiaries report generally good access to care	19
Web links	20
3 Quality of care in the Medicare program	21
3-1 Hospital mortality decreased from 1998 to 2003	23
3-2 Hospital processes of care improving, but many rates still low, 2001–2003	24
3-3 Safety of care: Adverse events affect many hospitalized beneficiaries, 1998–2003	25
3-4 Rates of potentially avoidable admissions, 2001–2003	26
3-5 Outside the hospital, processes of care are improving, but rates are still low, 2001–2003	27

3-6	Patient-centeredness of care: Beneficiaries rate interactions with health care providers highly	28
3-7	Post-hospital acute care episodes ended differently across settings and over time	29
3-8	SNF patients' adjusted readmission rates for five potentially preventable conditions have increased.....	30
3-9	Home health users experienced small improvements in outcomes, 2002–2004.....	31
3-10	The quality of dialysis care has generally improved.....	32
3-11	Plans improve, but rates are still low on some measures, 2000–2003	33
3-12	Patient experience scores: comparison of MA and FFS	34
	Web links	35
4	Access to care in the Medicare program.....	37
4-1	Beneficiaries' reports of difficulties obtaining care, 1993–2003	39
4-2	Fewer aged beneficiaries delayed or failed to obtain care due to cost, compared with younger Americans	40
4-3	Access to physicians is similar for Medicare beneficiaries and privately insured people	41
4-4	Percent of physicians accepting new patients, by type of insurance, 1999–2003.....	42
4-5	Most beneficiaries had little or no problem accessing home health and special therapy services	43
4-6	Ethnic and racial disparities in delaying or failing to obtain care, 2003	44
4-7	Beneficiaries differ in their reports of obtaining needed, urgent, or routine care, 2004	45
	Web links	46
5	Medicare beneficiary and other payer financial liability	47
5-1	Sources of supplemental coverage among noninstitutionalized Medicare beneficiaries, 2002	49
5-2	Sources of supplemental coverage among noninstitutionalized Medicare beneficiaries, by beneficiaries' characteristics, 2002	50
5-3	Total spending on health care services for noninstitutionalized FFS Medicare beneficiaries, by source of payment, 2002.....	51
5-4	Per capita total spending on health care services among noninstitutionalized FFS beneficiaries, by source of payment, 2002	52
5-5	Variation in and composition of total spending among noninstitutionalized FFS beneficiaries, by type of supplemental coverage, 2002.....	53
5-6	Types of out-of-pocket spending among noninstitutionalized FFS beneficiaries, 2002.....	54
5-7	Sources of change in out-of-pocket spending among noninstitutionalized FFS beneficiaries, 1993–2002	55
5-8	Out-of-pocket spending among noninstitutionalized FFS beneficiaries, by out-of-pocket spending level, 2002.....	56
5-9	Out-of-pocket spending among noninstitutionalized FFS beneficiaries, by type of supplemental coverage, 2002.....	57
5-10	Out-of-pocket spending for premiums and health services per beneficiary, by insurance and health status, 2002.....	58
	Web links	59

6	Retiree health benefits.....	61
	Retiree health benefits, 2004: MedPAC's supplement to the Kaiser/HRET survey of employer-sponsored health benefits	63
6-1	The percentage of firms with 200 or more workers offering retiree health benefits, 1988–2004.....	64
6-2	Distribution of firms and retirees covered by health benefits, by firm size, 2004	65
6-3	Firms offered health benefits to early retirees more often than to Medicare-age retirees, 1999–2004.....	66
6-4	Jumbo firms were the most likely to offer health benefits to Medicare-age retirees in 2004.....	67
6-5	Two-thirds of workers in firms that offered supplemental retiree health benefits in 2004 will be offered those benefits after they retire and enroll in Medicare	68
6-6	Date of hire and union agreements often determine future retirees' eligibility for health insurance coverage	69
6-7	In 2004, firms reported they are more likely to eliminate benefits for new hires than for active employees who have not yet retired	70
6-8	Medicare-age retirees paid about a quarter of their health benefit premiums in 2004.....	71
6-9	Most Medicare-age retirees contribute to premiums for health benefits	72
6-10	Most Medicare-age retirees had tiered prescription drug cost sharing in 2004	73
6-11	Retirees and active workers are likely to pay a larger share of their health benefit premium	74
	Web links	75
7	National health care and Medicare spending.....	77
7-1	Medicare made up about one-fifth of spending on personal health care in 2003	79
7-2	Medicare's share of total spending varies by type of service, 2003	80
7-3	Personal health care spending is increasing as a share of GDP	81
7-4	Trustees project Medicare spending to increase as a share of GDP	82
7-5	Changes in spending per enrollee, Medicare and private health insurance	83
7-6	Trustees and CBO project Medicare spending to grow about 10 percent over next 10 years	84
7-7	Medicare spending is concentrated in certain services and has shifted over time	85
7-8	FFS program spending is highly concentrated in a small group of beneficiaries, 2002	86
7-9	Medicare HI trust fund is projected to be insolvent in 2020.....	87
7-10	Medicare FFS providers: Spending, supply, and projected growth rates	88
	Web links	89
8	Acute inpatient services.....	91
	Short-term hospitals	
8-1	Medicare's hospital inpatient and outpatient spending, fiscal years 1992–2003.....	93
8-2	Diagnosis related groups with highest volume, fiscal year 2004.....	94
8-3	Number of hospitals and Medicare discharges, by hospital group, 2003	95
8-4	Cumulative percentage change in Medicare acute inpatient PPS discharges, 1992–2003	96
8-5	Cumulative change in total admissions and total outpatient visits, 1992–2003.....	97
8-6	Trends in Medicare and total hospital length of stay, 1992–2003	98

8-7	Cumulative change in Medicare inpatient days per beneficiary and discharges per beneficiary, 1992–2002	99
8-8	Simulated Medicare inpatient payments, by component and hospital group, reflecting 2005 payment policy under the MMA.....	100
8-9	Composition of the hospital market basket.....	101
8-10	Cumulative change in Medicare acute inpatient PPS payments and costs per case, and PPS operating update, 1992–2003	102
8-11	Medicare acute inpatient PPS margin, 1992–2003	103
8-12	Medicare acute inpatient PPS margins, by urban and rural location, 1992–2003	104
8-13	Medicare acute inpatient PPS margins, by teaching status, 1992–2003	105
8-14	Overall Medicare margin, 1997–2003	106
8-15	Overall Medicare margins, by urban and rural location, 1997–2003	107
8-16	Overall Medicare margins, by teaching status, 1997–2003	108
8-17	Overall Medicare margins, actual through 2003 and simulated for 2005 to account for current policy, including MMA provisions.....	109
8-18	Hospital total margin, 1992–2003.....	110
8-19	Total hospital margin, by urban and rural location, 1992–2003	111
8-20	Total hospital margin, by teaching status, 1992–2003	112
8-21	Hospitals with consistently negative overall Medicare margins tend to have above-average costs	113
8-22	Hospitals with consistently negative overall Medicare margins have a poor competitive position in their market areas	114
8-23	Relationship of acute inpatient PPS and overall Medicare margins, 2001	115
8-24	Relationship of overall Medicare and total margins, 2001	116
8-25	Change in Medicare hospital inpatient costs per discharge and private payer payment-to-cost ratio, 1986–2003	117
8-26	Mark-up of charges over costs for all patient care services, 1992–2003	118
8-27	Change in the number of critical access hospitals, 1999–2005	119
Specialty psychiatric facilities		
8-28	Medicare payments to inpatient psychiatric facilities, 1993–2004	120
8-29	Inpatient psychiatric facilities, 1996–2005	121
Web links		
9	Ambulatory care	123
Physicians		
9-1	FFS Medicare spending and payment update for physician services, 1995–2009.....	125
9-2	Medicare spending per FFS beneficiary on physician services, 1995–2013	126
9-3	The supply of physicians who furnish services to beneficiaries has increased.....	127
9-4	Spending growth varies by type of service, 2003–2004	128
9-5	Volume grew more rapidly in 2004 than in previous years	129
9-6	Medicare Economic Index input categories, weights, and projected price changes for 2006	130
9-7	Quarterly changes in professional liability insurance premiums, 1991–2004	131
9-8	PLI payments vary by locality and service, as a percentage of total payments under the Medicare fee schedule, 2002	132
9-9	Work GPCI before the MMA established a floor of 1.00	133

Hospital outpatient services

9-10	Spending on all hospital outpatient services, 1994–2004	134
9-11	Most hospitals provide outpatient services	135
9-12	Payments and volume of services under the Medicare hospital outpatient PPS, by type of service, 2003	136
9-13	Hospital outpatient services with the highest Medicare expenditures, 2003	137
9-14	Medicare coinsurance rates, by type of hospital outpatient service, 2003	138
9-15	Transitional corridor payments as a share of Medicare hospital outpatient payments, 2001–2003	139
9-16	Medicare hospital outpatient, inpatient, and overall Medicare margins, 1997–2003	140

Ambulatory surgical centers

9-17	Medicare-certified ASCs increased over 50 percent, 1998–2004	141
9-18	Over half of most common ambulatory surgical procedures were performed in hospital outpatient departments, 2001	142

Imaging services

9-19	Medicare spending for imaging services, by type of service, 2003	143
9-20	Radiologists received almost half of Medicare payments for imaging services, 2003	144
	Web links	145

10 Post-acute care **147**

10-1	The number of post-acute care providers generally continues to grow	149
10-2	Spending for post-acute care, by setting, 1999–2004	150
10-3	One-third of beneficiaries discharged from hospitals use post-acute care, 2002	151

Skilled nursing facilities

10-4	Medicare spending for skilled nursing facility services generally increased over the decade 1995–2004	152
10-5	Medicare skilled nursing facility use increased between 1999 and 2002	153
10-6	Medicare costs per day in freestanding SNFs grew at an average annual rate of 3.6 percent between 2000 and 2003	154
10-7	Medicare margins for freestanding skilled nursing facilities continue to be in the double digits, 2001, 2003, and estimated 2005	155
10-8	Distribution of SNF stays, by length of stay, in 2001	156
10-9	RUG–III classification scheme	157
10-10	The highest percentage of Medicare-covered freestanding SNF days were in “very high” and “high” rehabilitation RUG–III groups in 2003	158

Home health services

10-11	Spending for home health care, 1992–2004	159
10-12	Medicare home health care use, 1992–2003	160
10-13	The home health product changed after the prospective payment system started	161
10-14	Therapy services provided in home health have increased	162
10-15	Aggregate Medicare margins for all freestanding home health agencies remain in double digits, 2003, and estimated 2005	163

10-16	Clinical, functional, and service information from OASIS determines patients' home health case-mix classification.....	164
10-17	Top 10 resource groups in home health, 2002	165
	Web links	166
11	Drugs	167
11-1	Sources of outpatient prescription drug coverage among noninstitutionalized beneficiaries, 2002	169
11-2	Sources of payment for prescription drugs among noninstitutionalized beneficiaries, 2002.....	170
11-3	Prescription drug spending per beneficiary, 2005	171
11-4	Drug coverage among noninstitutionalized beneficiaries, by beneficiaries' characteristics, 2002	172
11-5	Medicare spending and annual growth rates for Part B drugs	173
11-6	Top 10 drugs covered by Medicare Part B, by share of expenditures, 2003	174
	Web links	175
12	Other services	177
Dialysis		
12-1	Total number of dialysis facilities is growing; for profit and freestanding are increasing over time	179
12-2	Medicare spending for outpatient dialysis services furnished by freestanding dialysis facilities, 1993–2003.....	180
12-3	Dialysis facilities' capacity has increased steadily between 1994 and 2003	181
12-4	A disproportionate number of dialysis facilities that closed were small, nonprofit, and hospital based	182
12-5	The ESRD population is growing, and most ESRD patients undergo dialysis.....	183
12-6	Diabetics and the elderly are the fastest growing segments of the ESRD population	184
12-7	Aggregate margins vary by type of freestanding dialysis facility, 2003.....	185
Hospice		
12-8	The number of freestanding and for-profit hospices has increased the most.....	186
12-9	Hospice use has grown and remains higher for decedents in managed care.....	187
12-10	Growth in hospice use is greatest among beneficiaries with noncancer diagnoses and those who are older.....	188
12-11	Recently, Medicare spending for hospice services has increased sharply	189
12-12	Median stays remain stable while long stays grow rapidly	190
Durable medical equipment		
12-13	Program payments continue to grow for durable medical equipment	191
	Web links	192

13	Medicare+Choice and Medicare Advantage.....	193
13-1	Counties with MA plans, 2005	195
13-2	Enrollment in MA plans, 1994–2005.....	196
13-3	Counties, by MA payment rates, 2005.....	197
13-4	Lowest monthly premiums Medicare beneficiaries would have to pay to enroll in an available Medicare plan, 2005	198
13-5	Distribution of plans and enrollees, by out-of-pocket cap, 2004	199
13-6	MA plan cost sharing for drugs covered under Medicare Part B, 2004.....	200
13-7	MA regions	201
	Web links	202

